MARTIN HEINRICH

Representing the 1st Congressional District of New Mexico

Summary of the Credit Cardholders' Bill of Rights

Ends Unfair, Arbitrary Interest Rate Increases.

- Prevents card companies from unfairly increasing interest rates on existing balances – increases are permitted only if a cardholder is more than 30 days late, a promotional rate expires, it is a variable rate, or for the failure to comply with a workout agreement.
- Requires a 6-month period for all promotional rates.

Strengthens Credit Card Disclosures

- Requires card companies to give 45-day notice of *all* interest rate increases or significant contract changes (e.g. fees). This provision will take effect 90 days after the bill is signed into law.
- Requires disclosures warning customers of the cost associated with only paying the minimum payment.
- Requires all disclosures to be in at least 12-point font.
- Requires credit card companies to post their contracts on their website.
- Requires stores to display account terms and conditions if they offer a credit card.
- Requires card companies to give 30-day notice before account is closed for inactivity.

Gives Consumers Choice and Stops Excessive "Over-the-Limit" Fees.

- Prevents companies from charging "over-the-limit" fees unless the cardholder has signed up for the service and ends unlimited fees for the same transaction.

Ends Unfair Penalties for Cardholders Who Pay on Time.

- Ends unfair "double cycle" billing – card companies couldn't charge interest on debt consumers have already paid on time.
- If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest.
- Prohibits card companies from charging a fee when customers pay their bill electronically.

Requires Fair Allocation of Consumer Payments.

- Many companies credit payments to a cardholder's lowest interest rate balances first, making it impossible for the consumer to pay off high-rate debt. The bill bans this practice, requiring payments made in excess of the minimum to be allocated to the balance with the highest interest rate.

Protects Cardholders from Due Date Gimmicks.

- Among other things, requires card companies to mail billing statements 21 calendar days before the due date (up from the current 14 days), to credit as "on time" payments made before 5 p.m. on the due date.
- Extends due date to next business day for mailed payments when it falls on Sundays or holidays.

Prevents Misleading Terms and Practices that Damage Credit Scores.

- Establishes standard definitions of terms like "fixed rate" and "prime rate".
- Gives consumers who are pre-approved for a card the right to reject that card prior to activation without negatively affecting their credit scores.
- Restricts credit card companies from making adverse reports to credit rating agencies regarding deployed military service members and disabled veterans during the first two years of their disability.

Protects Vulnerable Consumers From High-Fee Subprime Credit Cards.

- Prohibits issuers of subprime cards (where total yearly fixed fees exceed 25 percent of the credit limit) from charging those fees to the card itself.

Sets Standards for Student Credit Cards and Bars Issuing Credit Cards to Minors.

- Requires credit lines for students 18-21 to be based on their income, unless they have a cosigner.
- Prohibits card companies from knowingly issuing cards to individuals under 18 who are not emancipated minors.

Strengthens Oversight of the Credit Card Industry.

- Requires reports to Congress by the Federal Reserve on credit card industry practices and compliance to enhance congressional oversight every two years.